

CITY AUDITOR'S OFFICE



AUDIT OF FLEET AND TRANSPORTATION SERVICES

Report No. CAO 1503-0102-03

August 10, 2001

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR



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City of Las Vegas Audit Committee

Subject: CAO 1503-0102-03 - Audit of Fleet and Transportation Services

Attached please find the report mentioned above. Management responses are included following the report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Radford K. Snelding", is written over a horizontal line.

Radford K. Snelding, CPA, CIA, CFE
City Auditor

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EXECUTIVE SUMMARY

AUDIT OF FLEET AND TRANSPORTATION SERVICES

REPORT CAO 1503-0102-03

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should be used in conjunction with the entire report.

INTRODUCTION

Fleet and Transportation Services (Fleet Services) is responsible for the acquisition, maintenance and repair of over 900 licensed city vehicles and 200 pieces of equipment. The majority of Fire & Rescue vehicles are maintained by the Fire Equipment Service Center, a division of Fire & Rescue. Fleet Services oversees eleven city-owned fuel sites, maintains the Downtown Transportation Center (DTC), and operates the city trolley service. Fleet Services has 33 staff and operates out of four locations including the West and East Service Centers and two satellite yards. In addition to maintaining the city's vehicles, Fleet Services provides maintenance and repair services to vehicles of the Las Vegas Housing Authority through an interlocal agreement.

Fleet Services' West Service Center was recently selected as the site for a five-year, multi-million dollar hydrogen enriched compressed natural gas demonstration project in cooperation with the US Department of Energy and others.

This audit was conducted to determine the adequacy of internal and system controls and the effectiveness of current practices of Fleet Services. Our audit did not include a review of the operations of the DTC, the city's trolley service, or the Fire Equipment Service Center.

OVERVIEW OF SIGNIFICANT ISSUES

We believe Fleet Services is generally performing its duties and responsibilities adequately and effectively. Our audit identified issues management should address to further improve efficiency, effectiveness, and internal controls over operations.

- ▶ Policy and procedure manuals need to be created and distributed to employees.
- ▶ City departments and employees need to be held more accountable for abuse to city vehicles.
- ▶ Vehicle maintenance rates charged to city departments need to be updated to more accurately reflect actual operational costs.
- ▶ An analysis of the adequacy of the contractual rates being charged to the Housing Authority needs to be completed.
- ▶ A security analysis of Fleet Services facilities should be performed and changes made as deemed appropriate.

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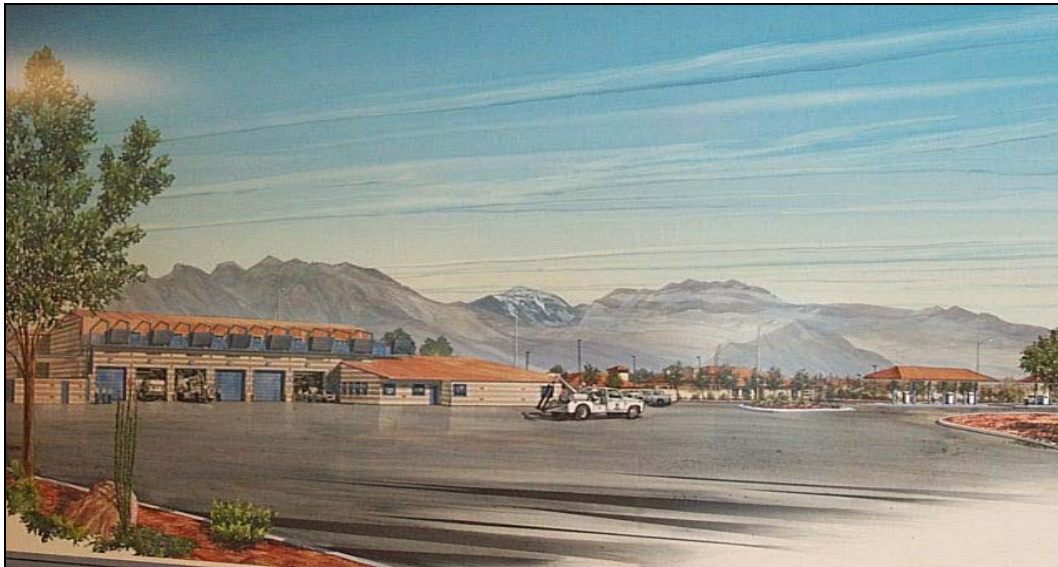
**AUDIT OF FLEET AND TRANSPORTATION SERVICES
AUDIT REPORT NO. CAO 1503-0102-03**

BACKGROUND

The City Auditor's Office conducted an operational audit of the City's Fleet and Transportation Services Division (Fleet Services) of the Department of Field Operations. Fleet and Transportation Services (Fleet Services) is responsible for the acquisition, maintenance and repair of over 900 licensed city vehicles and 200 pieces of equipment. The majority of Fire & Rescue vehicles are maintained by the Fire Equipment Service Center, a division of Fire & Rescue. Fleet Services oversees eleven city-owned fuel sites, maintains the Downtown Transportation Center (DTC), and operates the city trolley service. Fleet Services has 33 staff and operates out of four locations including the West and East Service Centers and two satellite yards.

In addition to maintaining the City's vehicles, Fleet Services provides maintenance and repair services to vehicles of the Las Vegas Housing Authority through an interlocal agreement.

Fleet Services' West Service Center was recently selected as the site for a five-year, multi-million dollar hydrogen enriched compressed natural gas demonstration project in cooperation with the US Department of Energy and others.



West Service Center

June 8, 2001

OBJECTIVES

We have completed an audit of Fleet Services. This audit was part of the City Auditor's Office annual audit plan. Our audit objectives included the following:

- ▶ Ascertain whether the control environment was conducive to efficient and effective operations.
- ▶ Evaluate the effectiveness of established policies and practices.
- ▶ Identify processes or procedures that could be improved to operate more efficiently and effectively.

SCOPE AND METHODOLOGY

Our audit was performed in accordance with generally accepted governmental auditing standards. Audit procedures included:

- ▶ Interviewing personnel;
- ▶ Observing operations and ongoing activities; and
- ▶ Reviewing records, reports, and other applicable documentation.

Our audit did not include a review of the operations of the DTC, the City's trolley service, or the Fire Equipment Service Center.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The City Auditor's Office appreciates the courtesy and cooperation extended to us by city employees during the audit. We believe Fleet Services is generally performing its duties and responsibilities adequately and effectively. Our audit identified issues management should address to further improve efficiency, effectiveness, and internal controls over operations. These issues are summarized in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. POLICIES AND PROCEDURES

Criteria: Policy and procedure manuals improve operations by providing uniformity in practices, establishing clear lines of responsibility, and enhancing employee accountability.

Condition:

- ▶ Fleet Services has not formally documented its policies and procedures.

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Effect:

- ▶ Lack of uniformity in how procedures are followed.
- ▶ Lack of accountability of employees.

Cause:

- ▶ Fleet Services management has not formalized policies and procedures.

Recommendations:

1. Fleet Services management should create formalized policies and procedures for the division and update these as needed.
2. Formalized policies and procedures should be distributed to all personnel.

2. ACCOUNTABILITY FOR VEHICLE ABUSE

Criteria: City departments, as well as city employees, should be held accountable for abuse of city vehicles.

Condition:

- ▶ Repair costs for damage to city vehicles are only charged to a city department if an incident/accident is deemed to be preventable by the Driver's Safety Committee. While vehicle accidents are consistently reported to the Driver's Safety Committee, damage caused by employee abuse of city vehicles is not.
- ▶ Damage to city vehicles from abuse by a city employee is rarely cause for disciplinary action (i.e., supporting documentation not placed in personnel file, incidents not considered worthy of verbal or written reprimand, employee not charged for damage).
- ▶ City departments are only being charged a labor rate of \$45 per hour for incidents/accidents that are deemed to be preventable. This rate is based on a cost analysis completed in the mid 1980s.

Effect:

- ▶ City employees are not consistently held accountable for damage to city vehicles.
- ▶ City departments do not typically hold their employees accountable for proper care of city vehicles.
- ▶ City departments are not paying their fair share of costs related to vehicle abuse.

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Cause:

- ▶ Formal procedures do not exist for tracking vehicle abuse.
- ▶ Many vehicles are not assigned to specific users; therefore, it is difficult to identify who damaged a vehicle.

Recommendations:

1. Fleet Services management should develop and document improved procedures to track abuse of vehicles and thereby hold individual vehicle users more accountable.
2. Damage caused by abuse should be clearly documented on an incident/accident report and distributed to the respective city department, Human Resources, and the Driver's Safety Committee.
3. Fleet Services management should charge departments (and possibly employees) for repairs of damage caused by abuse to city vehicles to promote improved oversight and accountability by city departments and employees.
4. Fleet Services should perform an updated labor cost analysis considering both direct and indirect costs to determine a more appropriate labor rate to charge departments for preventable accidents and repair of damage caused by abuse.

3. STANDARD MAINTENANCE RATES

Criteria: City vehicle maintenance costs should be equitably allocated among city vehicles based on vehicle classes and cost of maintenance.

Condition:

- ▶ City departments are charged monthly standard rates for maintenance of their vehicles based on a 1993 vehicle maintenance cost allocation study.
- ▶ While costs of operations have increased since 1993, no subsequent cost analysis has been performed.
- ▶ A fixed surcharge is applied to every vehicle to compensate for increased costs.

Effect:

- ▶ Vehicle maintenance charges to city departments may not be allocated equitably among vehicles.

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Cause:

- ▶ An updated maintenance cost study has not been completed.

Recommendation:

1. Fleet Services management should update its vehicle class maintenance cost analysis and adjust the maintenance rates charged to city departments.

4. HOUSING AUTHORITY CONTRACT

Criteria: Fees for providing services to customers should at a minimum offset the related costs associated with the service.

Condition:

- ▶ The City entered into an interlocal agreement with the Housing Authority of the City of Las Vegas in June 2000 to perform repairs and maintenance services on their fleet of approximately 95 vehicles. This agreement is for one year with the option to extend available upon written notice between the parties.
- ▶ Under the agreement, the Housing Authority pays a labor rate of \$45 per hour. This rate is based on a cost analysis completed in the mid 1980s.
- ▶ Under the agreement, the Housing Authority pays cost plus 25% for parts and the weekly contracted Oil Price Information Service (OPIS) rate plus 10 cents per gallon for fuel. A cost analysis supporting the adequacy of these rates has not been completed.
- ▶ The Housing Authority uses the City's loaner vehicles when needed for a nominal charge (\$10 per day). However, the City is not currently charging the Housing Authority for fuel used when using the loaner vehicles.

Effect:

- ▶ The City may not be adequately covering its costs associated with providing services to the Housing Authority.

Cause:

- ▶ Fleet Services management has not adequately analyzed its costs associated with providing services to the Housing Authority.

Recommendations:

1. Fleet Services management should perform a cost analysis of its operations (including both direct and indirect costs) and determine appropriate rates to charge external organizations for

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labor, parts, and fuel. Based on this analysis, adjustments should be made to fees being charged to the Housing Authority.

2. Fleet Services management should require that Housing Authority employees return loaner vehicles refueled or charge them for fuel consumed.

5. SECURITY AT SERVICE YARDS

Criteria: City facilities and assets should be secure.

Condition:

- ▶ During the audit, various concerns regarding security at the service yards were noted (i.e., lighting, gates, and access to yards).
- ▶ The security gate at the front entrance to the East Service Yard has been inoperable since September 2000.
- ▶ No formal security contingency plan exists.
- ▶ A city sportspark (Gowan South Detention Basin Sportspark) that will attract large numbers of people will soon be opening adjacent to the West Service Center.

Effect:

- ▶ City assets are at risk of theft and vandalism.

Cause:

- ▶ Security issues at the service yards have not been adequately addressed.

Recommendations:

1. Fleet Services management should have Detention and Enforcement and/or the Security Committee complete a security analysis of its facilities and implement their recommendations.
2. A security contingency plan should be created.
3. Facilities Management should immediately repair or replace the East Yard gate or institute alternative security measures.

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6. ALLOCATION OF WORK BETWEEN SERVICE CENTERS

Criteria: Efficiencies can be achieved through proper allocation of workload among employees and work locations.

Condition:

- ▶ On November 10, 1997, the City opened its West Service Center. This facility has twelve large service bays with many features making it significantly superior to the aging East Service Center used since the 1960s.
- ▶ Vehicle service notification cards are automatically generated from the fleet management system and sent to city employees or departments (depending on who a vehicle is assigned to within the system). A recommended location for servicing is noted on each card. Approximately 72% of city vehicles serviced by Fleet Services are assigned to be serviced at the East Service Center, while only 20% of the vehicles are assigned to be serviced at the West Service Center.
- ▶ During 2000, 70% of the total work orders processed were completed at the East Service Center, while only 21% of the work orders processed were completed at the West Service Center. The remaining 9% of the total work orders processed were completed at the two satellite service centers.



West Service Center



East Service Center

Effect:

- ▶ The West Service Center is not being used to its full potential.

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Cause:

- ▶ The East Service Center is more centrally located to the operations of many city departments and the assigned parking areas of city vehicles.
- ▶ Assigned vehicle service locations within the fleet management system have not been updated recently in consultation with city departments to encourage increased use of the West Service Center.

Recommendations:

1. Fleet Services management should evaluate and document how to increase utilization of the West Service Center. As utilization increases, management will need to re-evaluate staffing at the service centers.
2. Fleet Services management in consultation with city departments should regularly analyze assigned vehicle service locations in the fleet management system and assign additional vehicles to the West Service Center as deemed appropriate.

7. WORK ORDER PROCESSING

Criteria: Transactions should be processed in a timely manner.

Condition:

- ▶ When a vehicle is brought in for servicing, a work order is opened on the fleet management system. The work order should subsequently be closed on the system once the work is complete.
- ▶ Work orders are not always timely closed.

Effect:

- ▶ Vehicle repairs and maintenance data may not be updated on a timely basis on the fleet management system.
- ▶ Service notification cards are needlessly sent to city vehicle operators who have already had their vehicles serviced.

Cause:

- ▶ The closing of work orders is not always a priority for mechanics.



West Service Center Service Bays

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- ▶ The weekly open work order report generated from the fleet management system is not consistently reviewed and acted upon by Fleet Services management.

Recommendations:

1. Fleet Services management should formally assign responsibility and accountability for the timely closing of work orders at all locations.
2. Fleet Services management should regularly review the open work order report for timeliness of processing of work orders.

8. UNDERUTILIZED VEHICLES

Criteria: The utilization and assignment of city assets should routinely be evaluated.

Condition:

- ▶ During 2000, 72 city vehicles (excluding loaner vehicles) used on average less than 20 gallons of fuel per month.
- ▶ Vehicle utilization studies are not routinely being performed.

Effect:

- ▶ Certain city vehicles are not fully utilized.
- ▶ Underutilized vehicles may not be timely identified.

Cause:

- ▶ Limited monitoring of the utilization of city vehicles.

Recommendation:

1. Fleet Services management should more routinely evaluate and document the usage of city vehicles and recommend to appropriate management the re-assignment of less utilized vehicles.

9. COMPRESSED NATURAL GAS (CNG) USAGE TRACKING

Criteria: City employees should be accountable for fuel usage and be encouraged to use alternative fuels where possible.

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Condition:

- ▶ Approximately 158 city vehicles are capable of using compressed natural gas (CNG) as fuel. CNG is less expensive and cleaner than unleaded fuel. City employees are able to refuel CNG vehicles at CNG dispensers located throughout the valley.
- ▶ The CNG dispensers are owned, operated and maintained by the Regional Transportation Commission and the CNG dispenser access system is administered by a local petroleum company.
- ▶ Each CNG vehicle is assigned a unique CNG dispenser access card for fueling the vehicles. The cards do not identify the vehicle operator. Therefore, CNG usage is only tracked by vehicle while all other fuel usage is tracked by both vehicle and employee.
- ▶ The same Personal Identification Number (PIN) is used by all city vehicle operators to access the CNG dispensers. This PIN number is written on all carrying sleeves for the CNG dispenser access cards.



Effect:

- ▶ No record of CNG usage by individual employees is available for use by management.
- ▶ Individuals are not adequately held accountable for CNG usage.
- ▶ While the risk is minimal due to the few number of CNG vehicles owned by the general public, there is the potential for theft of CNG without detection if a CNG dispenser access card and sleeve with PIN number is lost without being reported.

Cause:

- ▶ The CNG dispenser access system is not programmed to permit tracking of usage by individual city employees.
- ▶ Fleet Services management has not adequately considered the value of having information on CNG usage by individual employees.
- ▶ Fleet Services management did not adequately consider the risk associated with distributing CNG dispenser access cards with common PIN numbers noted on the carrying sleeve.

Recommendations:

1. Fleet Services management should request that changes be made to the CNG fuel tracking system used by the City to allow for tracking of CNG fuel usage by both vehicle and individual city employees.

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2. Each CNG dispenser access card issued should have a unique PIN number and these PIN numbers should be kept confidential. The PIN numbers should not be written on the carrying sleeves.

10. UNNECESSARY INVENTORY

Criteria: For efficient use of storage space, unnecessary inventory should periodically be identified and removed.

Condition:

- ▶ As of April 11, 2001, Fleet Services had 1,018 vehicle parts in inventory with a value of approximately \$6,000 that have not been used in five years.
- ▶ The inventory system has records of 154 different inventory items with no quantities on hand that have not been used in the past five years.



West Service Center Parts Room

Effect:

- ▶ Potential waste of inventory storage space.
- ▶ Potential waste of city resources maintaining obsolete inventory.

Cause:

- ▶ The vehicle parts inventory has not adequately been analyzed for unnecessary inventory.

Recommendations:

1. Fleet Services management should periodically perform an analysis of its parts inventory and dispose of or sell any items that are deemed to be unnecessary.
2. Fleet Services management should review the parts inventory system and purge all unnecessary records.

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11. SPARE TIRES

Criteria: City policies should encourage efficient operations.

Condition:

- ▶ Spare tires are not left in the majority of city vehicles.
- ▶ The spare tires are stored by Fleet Services for use when vehicles break down.
- ▶ No listing of spare tires is maintained.
- ▶ When responding to flat tire road calls, Fleet Services personnel do not always know which spare tire fits on a vehicle and must often guess or bring several along on the road call. Return trips to the service yard are sometimes required to obtain the proper spare tire.
- ▶ Location of specific spare tires is not easily determinable.



Effect:

- ▶ Inefficient use of facility storage space.
- ▶ Wasted time during roadcalls to identify the proper spare tire for a vehicle and the location of the spare tire.

Cause:

- ▶ Spare tires are currently kept out of city vehicles to keep employees from accessing the spare tires and thereby limit the City's liability.

Recommendation:

1. Fleet Services management should evaluate and document whether spare tires could be left in vehicles to reduce potential spare tire selection errors during road calls and to free up additional storage space.

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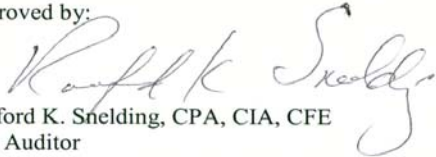
June 8, 2001

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City Auditor

MANAGEMENT RESPONSES

MANAGEMENT RESPONSES TO AUDIT OF FLEET AND TRANSPORTATION SERVICES

1. POLICIES AND PROCEDURES

RECOMMENDATION 1

Management Plan of Action: Draft Divisional Policies & Procedures have been completed.

Timetable: Complete

RECOMMENDATION 2

Management Plan of Action: Final Policies & Procedures to be completed by October 1, 2001.

Timetable: Divisional Policies & Procedures to be disseminated to staff by October 31, 2001.

2. ACCOUNTABILITY FOR VEHICLE ABUSE

RECOMMENDATION 1

Management Plan of Action: The automated Work Order system will be utilized to document noticeable vehicle or equipment abuse as that equipment comes in for service.

Timetable: The Automated Work Order system has been in place for fifteen years and is an ideal document for tracking vehicle condition as well as all maintenance functions. Mechanics and their Supervisors have been tasked to use this Work Order to document any and all vehicle body conditions as they are noticed. This is a current and ongoing activity.

RECOMMENDATION 2

Management Plan of Action: We will continue to provide the Vehicle incident/accident report to all Departments using City owned vehicles/equipment. The impacted Department is responsible for filling out the report. The City's Driver's Safety Committee, of which the Division Manager is a member, will be the facilitator of disseminating information to Department Directors as to the need to file accurate and timely accident reports as they occur.

Timetable: Draft Policy to be submitted for City Manager and committee review by November 1, 2001.

RECOMMENDATION 3

Management Plan of Action: We concur that offending Departments should be held financially responsible for all repairs necessary due to documented negligence. This requires a City policy change. Fleet Services does not currently have the authority to arbitrarily charge Departments for vehicle abuse.

Timetable: Draft policy to be formulated for Management's review by November 1, 2001.

RECOMMENDATION 4

Management Plan of Action: A rate review will be conducted in conjunction with Item #3 below.

Timetable: To be completed by April 30, 2002.

3. STANDARD MAINTENANCE RATES

RECOMMENDATION 1

Management Plan of Action: A comprehensive rate review in collaboration with Finance will be undertaken.

Timetable: To be completed by April 30, 2002.

4. HOUSING AUTHORITY CONTRACT

RECOMMENDATION 1

Management Plan of Action: Though we are of the opinion that the City is recovering costs associated with a maintenance contract with the Housing Authority, a detailed review of rates charged to the Housing Authority considering direct and indirect costs is in progress.

Timetable: Analysis to be completed by April 30, 2002.

RECOMMENDATION 2

Management Plan of Action: Language that clearly defines what the cost of a "loaner vehicle" and associated fuel costs, has been incorporated into the Agreement extension.

Timetable: Agreement was forwarded to the Housing Authority on June 27, 2001.

5. SECURITY AT SERVICE YARDS

RECOMMENDATION 1

Management Plan of Action: Attended the Security Committee meeting on May 23, 2001 and agreement was reached that Detention should increase surveillance and patrols at the East and West Service Centers. Detention previously recommended and we agree that a permanent presence or substation at the West Service Center is needed

Timetable: Written concurrence between Detention and Fleet Services will be formulated and presented to Management by November 1, 2001.

RECOMMENDATION 2

Management Plan of Action: A comprehensive Security contingency plan is currently under review.

Timetable: An action plan to be formulated by November 1, 2001.

RECOMMENDATION 3

Management Plan of Action: Facilities Management has agreed to replace the gate at the East yard.

Timetable: To be completed by September 30, 2001.

6. ALLOCATION OF WORK BETWEEN SERVICE CENTERS

RECOMMENDATION 1

Management Plan of Action: A new Field Operations Center (FOC) is scheduled for construction during Fiscal Year 2002 at the West Service Center. Staff from Streets & Sanitation, TEFO and Parks Open Spaces are to be transferred to this location upon completion. It is expected that an estimated 100 staff and their associated vehicles/equipment are to redeployed from the East Service Center and Satellite # 1 operations center to this location. Additionally, a new Interlocal Vehicle Maintenance Agreement with the County Library District will be in place which will further enhance the West Service Center's use. Once these are in place, utilization of the maintenance facility at the West Service Center will be dramatically increased.

Timetable: Interlocal Agreement expected to be in place by November 1, 2001. New streets Field Operations Center anticipated completion during the fourth quarter of 2002.

RECOMMENDATION 2

Management Plan of Action: A review of vehicle assignments based on location is underway.

Timetable: Analysis to be completed by November 1, 2001.

7. WORK ORDER PROCESSING

RECOMMENDATION 1

Management Plan of Action: Shop Supervisors, Senior Mechanics and acting-supervisors are responsible for the closing out of work orders.

Timetable: This was initiated June 18, 2001 and is a weekly process supervised by the Division Manager.

RECOMMENDATION 2

Management Plan of Action: An Open Work Order report is sent directly to the Division Manager on a weekly basis.

Timetable: Division Manager reviews the Open Work Order report on a weekly basis. Staff are directed to address any concerns noticed and corrected as they arise. Where an explanation is necessary, comments are made directly on the report and filed for future reference.

8. UNDERUTILIZED VEHICLES

RECOMMENDATION 1

Management Plan of Action: Implemented a new fuel tracking report during the course of the audit that highlights “low fuel usage” vehicles (those that consume less than 20 gallons per month in any three month period). Once a continuous pattern has been determined, a collaborative discussion between Fleet Services and the user will take place to maximize the asset’s use.

Timetable: The change was implemented during May 2001. This is a monthly report and is reviewed by the Division Manager on that basis.

9. COMPRESSED NATURAL GAS (CNG) USAGE TRACKING

RECOMMENDATION 1

Management Plan of Action: The contractor has agreed to make the suggested changes to their data base to track CNG use more specifically.

Timetable: To be completed by November 1, 2001.

RECOMMENDATION 2

Management Plan of Action: The contractor has agreed to change their data base to reflect PIN specific to each individual fueling on CNG.

Timetable: To be completed by November 16, 2001.

10. UNNECESSARY INVENTORY

RECOMMENDATION 1

Management Plan of Action: The new HANSEN software program will be phased in to Fleet Services beginning October 8, 2001 which will allow for a more systematic analysis of slow moving or aged parts stock.

Timetable: Program begins October 8, 2001 with an estimated completion date of April 30, 2002.

RECOMMENDATION 2

Management Plan of Action: Obsolete parts have been identified and will be consolidated for sale at auction.

Timetable: Next scheduled auction is slated for October or November 2001.

11. SPARE TIRES

RECOMMENDATION 1

Management Plan of Action: The City's Safety/Loss Insurance Division has had a long established Policy that requires all spare tires in City vehicles be removed and stored at remote locations. The reason for this is that where it became necessary for City driver's to change flat tires during the conduct of City business, excessive Workmen's Compensation claims were filed resulting in significant added costs to the City. Previous City Management decided that to avoid any recurrence of the filing of these claims, that the City's Insurance Division be tasked with developing a policy eliminating spare tires from vehicles.

Timetable: We will consult with the City's Safety/Loss Officer as to the feasibility of changing the Policy whereby spare tires may be re-installed in City vehicles suitable for them by December 1, 2001.